

TO: R. Roper

DATE: May 24, 1984

FROM: R. Stirlen

CONFIDENTIAL

SUBJECT: MARLBORO 5 PACK CARTON TEST

REVISION 3

The following is an outline of the test program for the Marlboro 5 Pack Carton with a test market start date of September 4. The program framework has been discussed with Sales, Distribution Services and Market Research.

PRODUCT/PACKAGING

- Four packings will be tested - Red Kings Soft and Box and Lights Kings Soft and Box. Research has indicated that both Box and Soft are required to adequately read the test.
- The 5 Pack Cartons will closely resemble existing Red and Lights 10 pack cartons.
- The designation used will be "5 Pack Carton".
- The 5 Pack Carton for each of the four packings will be printed with a distinct UPC code number and symbol.
- The outer carton will be predominately white with a small graphic area and block of type to designate the specific packing. This is to discourage retailers from selling these units in place of 10 pack cartons. These outer cartons will not contain a UPC code number.
- Separate shipping cases will be developed for each of the 5 Pack Carton packings. Each case will be printed with a distinct UPC code.
- All UPC code numbers will follow.
- Present indications are that the outer carton and 5 Pack Carton are compatible with existing tax stamping equipment. Therefore, no special stamping allowance should be required.

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TEST PROGRAM

- Two small self-contained markets will be used for the test - Portland, ME and Johnstown-Altoona, PA (see Exhibit 1 attached). It has been determined that this approach is superior to the more tightly controlled store panel method for three reasons:
 1. The type of outlets offering the 5 Pack Carton are not predetermined and therefore we will be able to assess acceptance and performance across the entire range of cigarette accounts.
 2. The price will not be set by the research design and therefore we will be able to determine how retailers handle the key pricing question.
 3. We will be able to assess 5 Pack Carton display potential and any stocking problems in a real world situation.
- It is anticipated that 5 Pack Cartons will be shipped to public warehouses and wholesale distributors in the normal fashion.
- All types of accounts in the test markets - chain and independent, pack and carton - will be offered the 5 Pack Carton. However, special effort will be made to gain complete distribution in convenience stores. These types of outlets which now sell predominantly packs are a key target of this test.
- Chains located outside the test areas will not be presented the 5 Pack Carton. Rather, an attempt will be made to exchange the 5 Pack Carton in chain outlets located in the test areas. (See Exhibits 2, 3 and 4 attached.)
- A store panel will be designated prior to the sell-in, with auditors monitoring both Marlboro and total

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cigarette sales to establish sales trends. Each of these panel stores will be contacted during the normal sell-in. Those accounts accepting the 5 Pack Carton will be regularly monitored for product movement as well as pricing policy and product display location. In these panel stores only, an attempt will be made to control the breaking of 5 Pack Cartons to satisfy pack sales requirements.

- After the sell-in, telephone or in-store interviews with smokers will be conducted to determine if the 5 Pack Carton has had an impact on purchasing patterns.
- Distributor movement will be monitored to determine performance in the overall test market.
- In addition, Market Research may place 5 Pack Cartons in select UPC test locations to track movement by computer using the code.
- The length of the test period is still to be determined. However, it is recommended that the test run at least six months in order to obtain a clear read of the markets.

WHOLESALE OFFER

- Introductory period - August 23 - September 21.
- Normal terms will remain in effect. We will not offer 34%-30 days for this program.
- Allocation - .50% of industry on each of the four packings.
- Special Introductory Allowance - 5% of list price "off invoice" subject to allocation during the introductory period. Vendors and military are excluded from this allowance.

SELL-IN/DISPLAY

- The sell-in will consist of 20 5 pack cartons (10 cartons) with no gratis offered. A display payment will be provided in lieu of gratis.

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- National P.P.P. activities, especially Contract I rotation, may be conducted in conjunction with this program. However, national set/sell or POS placement should not hinder the placement of 5 Pack Carton materials.
- There will be no limit on the number of 5 Pack Cartons that can be ordered at retail.
- A pricing structure similar to the half carton price rather than five times the pack price will be recommended to retailers. It is understood, however, that P.M. cannot enforce price.
- The following POS materials will be provided:
 - . Cardboard counter display for pack outlets (capacity of 16 5 Pack Carton units)
 - . Cardboard floor bin for carton outlets (capacity of 60 5 Pack Carton units)
 - . Shelf talker
 - . Poster
 - . Multi-purpose card
 - . Program sell sheet
 - . Mr. Retailer flyer for use by wholesale accounts
 - . The display headers will contain an area for retailers to insert price information.
 - . See Exhibit 5 attached for code numbers
- Sales Reps will work the 5 Pack Carton at retail during the entire 5th Sales Period (September 4 - October 26). At that point, the packings will be allowed to find their own home.
- Display payments will be consistent with the Plan A-1 schedule - \$3.00 for the counter unit and \$6.00 for the floor display. The display payment may be made twice during the test period (once each month while reps are working the program).
- No incentive offers are planned with the 5 Pack Carton. In addition, no advertising support is planned.

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KEY DATES

- . Management meetings - w/o August 20
- . Sell-in begins - w/o August 20
- . Retail meetings - w/o August 27
- . Down-the-street - September 4
- . See detailed flow chart attached

Should any elements of the program be modified, I will keep you advised.

RS/ra

cc: R. Fitzmaurice

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